



State of Utah

Department of Natural Resources

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Division of Oil, Gas & Mining

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November 24, 2004

David Penney
Penney's Gemstones
2400 East 30 South
P.O. Box 312
Beaver, Utah 84713-0312

Subject: Extension of Time to Complete LMO Application, David Penney,
Sliver 3-4, M/001/057, Beaver County, Utah

Dear Mr. Penney:

On October 20, 2004, the Division received your response to the major deficiencies in your Large Mine Plan. We subsequently on October 22, 2004, sent a letter to you discussing the remaining deficiencies and explained that we needed additional information in order to approve your large mine application. Unfortunately the information we have received to date is lacking in engineering detail and does not seem to satisfy the requirements of our program. We (myself, Tom Munson, and Doug Jensen) discussed this situation with you on a telephone conference call on November 19, 2004.

We explained that the maps we needed should be drawn to engineering specifications with cross sections and contours drawn to the scale specified in the review. The contours must extend at least out to beyond the extent of the disturbed boundary. The mine area, should also be shown as it existed prior to mining, so that it is clear what topography existed before the mine. Highwalls, spoil piles, dumps, and the workings should be shown on the operational map. This map should also depict the extent of future mining (at least five years).

There should be another map showing the planned reclamation for the site. This map should include contours and cross sections as well. All of these maps and cross sections need to be to sufficient scale that our engineer will be able to determine what your plans for mining are, as well as your plans for reclamation (twenty foot contour lines are not sufficient). Thus he would be able to calculate an accurate bond based on volume of material to be moved. Using these engineering designs he would be able to calculate the amount of cut and fill over the entire site and be able to calculate a bond based on those numbers.

David Penney
Page 2 of 2
M/001/057
November 24, 2004

Because we have had such difficulty in conveying this concept to you, we have agreed to allow you additional time to complete this Large Mine application. Since you are shut down for the winter anyway, we feel it appropriate to allow you over the winter months to complete your application. You must, however, have the application completed and approved prior to you starting to mine again in the spring (remember there is a 30-day public comment period that must occur before a large mine application can be approved).

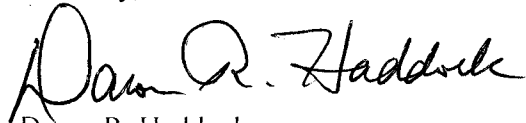
We strongly recommend that you obtain the services of a surveyor, professional engineer, or someone who can help you through the permitting and mapping process as the information submitted thus far is still inadequate.

Unfortunately, your failure to *adequately* complete the Large Mining application continues to place the Sliver 3-4 mine permit in jeopardy. The Mineral rules at R647-3-113 require that you have Division approval prior to expanding a mining operation beyond five acres of disturbance. Since this was not done, it is imperative that you:

- Contact us as soon as possible upon your return to the area. We encourage you to work closely with us so that it is clear what detail you will supply when completing the application.
- Supply the necessary and complete information for this large mine application.
- Receive approval of the large mine Notice of Intent **prior** to commencing any mining in the spring.

If you have any further questions regarding the conditions of this letter, please contact me at (801) 538-5325, or Tom Munson at (801) 538-5321.

Sincerely,



Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program